

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality (DEQ), Water Quality Division (WQD), and Storm Cat Energy (USA) Operating Corporation (Storm Cat) a company authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in Notice of Violation (NOV) Docket Number 4707-10 dated August 9, 2010. This violation occurred in Campbell County, Wyoming.

W.S. §35-11-901(a)(ii) authorizes the DEQ to negotiate a stipulated settlement, including payment of a penalty, in lieu of litigation. To that end, Storm Cat and the DEQ hereby stipulate and agree as follows:

1. The DEQ, pursuant to W.S. §35-11-104, is a department in the executive branch of the state government of Wyoming and is principally situated in Cheyenne, Wyoming. DEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act (Act) including all provisions of the Wyoming Water Quality Rules and Regulations (WWQRR).

2. Storm Cat agrees to pay a penalty of fourteen thousand and four hundred dollars (\$14,400.00) as a settlement to resolve the above referenced NOV. Payment to the DEQ is due and payable within thirty (30) days of the full execution of this Settlement Agreement. Payment to DEQ shall be by check made payable to the Wyoming Department of Environmental Quality, Water Quality Division and shall be sent to: Mr. Kevin M. Wells, Natural Resource Program Manager, Department of Environmental Quality, Water Quality Division, Herschler Building, 4th Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002. The check should reference NOV Docket Number 4707-10.

3. This signed Settlement Agreement and payment by Storm Cat as cited in NOV 4707-10, shall constitute full satisfaction for and resolution of all claims by the DEQ against Storm Cat based on the violations alleged in NOV Docket Number 4707-10. Contingent upon Storm Cat's full compliance with the terms of this Settlement Agreement, the DEQ will refrain from taking further enforcement action against Storm Cat for these particular violations. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket Number 4707-10.

4. Storm Cat waives any statute of limitations which may apply to an enforcement action by the DEQ involving the specific matters described in NOV Docket Number 4707-10 in the event that Storm Cat fails to fulfill its obligations under this Settlement Agreement.

5. Nothing in this agreement precludes DEQ from taking additional enforcement action; including the issuance of a NOV, Order, and/or pursuing additional penalties, should Storm Cat violate the Act, applicable rules and regulations, or WYPDES permit requirements in the future.

6. This Settlement Agreement or any actions taken in accordance with its provisions, does not constitute an admission by Storm Cat to any allegations, findings, determinations or conclusions contained in this Agreement, nor is this a retraction by the DEQ of the specific allegations in NOV Docket Number 4707-10. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Storm Cat may have against any entity.

7. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties to enforce its terms.

8. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ do not waive sovereign immunity by entering into this Settlement Agreement with Storm Cat and specifically retain all immunity and all defenses available as sovereigns under state and federal law.

9. Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.

10. Storm Cat and the DEQ agree to comply with and be bound by the terms of this agreement and further agree they will not contest the basis or validity of this Settlement Agreement in any action taken by DEQ to enforce the terms of this Settlement Agreement. Therefore this Settlement Agreement is binding upon Storm Cat, its successors and assigns, and upon the DEQ.

11. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement. Full execution of this Settlement Agreement shall be determined by the latest date of all parties signing.

FOR: Storm Cat Energy

Signed: John Stein

Typed: John Stein

Title: Production Manager

Date: 9/21/2010

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Corra
John V. Corra
Director
Department of Environmental Quality

Date: 9/15/10

John F. Wagner
for John F. Wagner
Administrator
DEQ/Water Quality Division

Date: 13 Sept. 2010

JVC/JFW/KMW/bb/10-0773

cc: David Gwisdalla, 8ENF-W-NP, EPA Region 8 (PDF)
Bill J. DiRienzo ► Kevin M. Wells (PDF)
IPS (for scanning) ► Docket 4707-10
Keith Guille, DEQ Public Information Officer (PDF File of signed copy by all parties)